

PFI Advisory

January 11, 2008

Special Attention:

PFI's MPF[®] Program Management and Origination Management

Subject:

Maine High Rate, High Fee Mortgages Now “Unratable”

The MPF Program previously announced in PFI Notice 2007-8 that Maine High Rate, High Fee Mortgages, as defined in the state's amended Truth in Lending Act, which went into effect on January 1, 2008, are not eligible for delivery. If a mortgage is found to be ineligible under Origination Guide Chapter 2.6, the PFI must repurchase the mortgage upon notification by the MPF Bank or MPF Provider (See Origination Guide Chapters 2.6.4 and 2.12).

In addition, these mortgages are now defined as “unratable” due to Standard & Poor's (S&P) Rating Services' announcement on January 4, 2008, retroactive January 1, 2008. The announcement states that S&P will not rate structured finance transactions that include these loans. See Origination Guide Chapter 2.6.1.1 for more information on the ineligibility of “unratable” loans. Please note that the Anti-Predatory Lending Category, Origination Guide Exhibit A, will be updated at a future date to include Maine High Rate, High Fee Mortgages as “unratable”.

In order to provide reasonable assurance that Maine High Rate, High Fee Mortgages are not delivered under the MPF Program, a post-purchase due-diligence review of mortgages on properties located in Maine will be conducted on a periodic basis. A “Notice of Request for Review Letter” identifying the loans to be reviewed will be sent to the PFI.

In addition to the post-purchase review of Maine mortgages after the effective date noted above, PFIs are reminded that they are required to have internal procedures to screen out mortgages which are ineligible for delivery (See Origination Guide Chapter 2.6.4). If a PFI wishes to deliver Maine mortgages and their predatory lending screening procedures for Maine have not been reviewed, please contact your MPF Bank Representative for further instructions.

The procedures contained in this PFI Advisory may require future revision to reflect changes in the existing laws and interpretation of such laws by either Standard and Poor's or the MPF Banks' regulator, the Federal Housing Finance Board.

If you have any questions, please contact your MPF Bank Representative or call the MPF Customer Support Desk at 877-INFO-MPF (877-463-6673).